

5. Sustainability.

(a) Financial and Institutional Sustainability.

The impacts of each of the Project Activities are intended to be sustainable, although neither the GRDF nor the ADA is required to be a sustainable institution. Sustainability will result from the following activities:

(i) Building, through the GRDF, profitable businesses that have an important demonstration effect on similar businesses, as well as investment funds or other financial institutions. To the extent these businesses are profitable, after the Compact Term they can be expected to survive and strengthen key links with other businesses in the value chain as well as pave the way for additional entrepreneurs and providers of finance considering developing the SME sector or Regional enterprises;

(ii) Establishing profitable farms, rural service providers and viable agribusiness that compete in commercial markets and are responsive to market forces and trends;

(iii) Investing in human capacities (skills, access to information and mind-set toward the market) to transform and make their enterprises profitable;

(iv) Building, through each of the Project Activities, sustainable and transferable Georgian enterprise management capacity and entrepreneurial skills, particularly for:

(1) Agribusinesses and other SME businesses that have received assistance from the GRDF or the ADA;

(2) Georgian consulting and technical advisory businesses that have been engaged as part of the Portfolio Company Technical Assistance Facility or the ADA; and

(3) Georgian investment professionals trained by the GRDF;

and providing the enterprises and individuals that have acquired these skills with the ability to apply them to their businesses or transfer them to other businesses in Georgia;

(v) Attracting, as part of the GRDF, additional long-term capital to the agribusiness and other SME sectors in Georgia. Because these providers may have been attracted, because of the GRDF, to sectors and businesses they would not have otherwise financed, the successful performance of these investments will encourage additional investments; and

(vi) Complementing and encouraging reform to remove legal and regulatory impediments to investment and growth in the agribusiness and SME sectors in the Regions as well as nationally, including encouraging best practices for corporate governance.

(b) Environmental and Social Sustainability.

To help ensure that investments made through the GRDF are not likely to cause a significant environmental health or safety hazard, the GRDF will develop investment guidelines acceptable to MCC that will require compliance with MCC Environmental Guidelines, and the Investment Manager will develop an environmental review process and monitoring check-list. To help ensure that investments made through the ADA are not likely to cause a significant environmental health or safety hazard, technical assistance will be provided to include training and guidance on the proper selection, handling, use, storage, and disposal of pesticides and other agricultural chemicals.

6. Policy and Legal Reform.

To improve its level of performance under the policy criteria identified in Section 607 of the Millennium Challenge Act and the MCA Eligibility Criteria and to support the Enterprise Development Project, the Government will pursue the following legislative and policy reforms:

- (i) Improve the investment climate, particularly for investments in the agribusiness and other sectors relevant to the Enterprise Development Project, including those reforms identified by working with the expert engaged under the Legal and Policy Environment component of the Investment Fund Activity. Broadly construe reform to include commercial laws, enforcement mechanisms and systematic issues, such as problems with payment systems;
- (ii) Provide for effective implementation of the law on additional privatization of agricultural land remaining in state ownership (providing for privatization of large plots of agricultural land);
- (iii) Pass effective laws on immovable and moveable property pledge registration and related secured transaction law reform, and provide for implementation; and
- (iv) Undertake policy reform and seek to improve legislation governing the agribusiness sector, including:
 - (1) Refine the National Agricultural Strategy that outlines critical priorities to be undertaken that creates a pro-agribusiness growth environment;
 - (2) Planning and implementing significant benchmarks for improved legislation for seed and plant material law; and
 - (3) Planning and implementing significant benchmarks for improved legislation for food safety regulations.

ANNEX II

FINANCIAL PLAN SUMMARY

This Annex II to the Compact (the "*Financial Plan Annex*") summarizes the Multi-Year Financial Plan for the Program. Each capitalized term in this Financial Plan Annex shall have the same meaning given such term elsewhere in this Compact.

1. **General.** A multi-year financial plan summary ("*Multi-Year Financial Plan Summary*") is attached hereto as Exhibit A. By such time as specified in the Disbursement Agreement, MCA-Georgia will adopt, subject to MCC approval, a Multi-Year Financial Plan that includes, in addition to the multi-year summary of anticipated estimated MCC Funding and the Government's contribution of funds and resources, an estimated draw-down rate for the first year of the Compact based on the achievement of performance milestones, as appropriate, and the satisfaction or waiver of conditions precedent. Each year, at least 30 days prior to the anniversary of the entry into force of the Compact, the Parties shall mutually agree in writing to a Detailed Financial Plan for the upcoming year of the Program, which shall include a more detailed plan for such year, taking into account the status of the Program at such time and making any necessary adjustments to the Multi-Year Financial Plan.

2. **Implementation and Oversight.** The Multi-Year Financial Plan and each Detailed Financial Plan shall be implemented by MCA-Georgia, consistent with the approval and oversight rights of MCC and the Government as provided in this Compact, the Governance Agreement and the Disbursement Agreement.¹

3. **Estimated Contributions of the Parties.** The Multi-Year Financial Plan Summary identifies the estimated annual contribution of MCC Funding for Program administration, monitoring and evaluation, and each Project. The Government's contribution of resources to Program administration, monitoring and evaluation, and each Project shall consist of (i) "in-kind" contributions in the form of Government Responsibilities and any other obligations and responsibilities of the Government identified in this Compact, including contributions identified in the notes to the Multi-Year Financial Plan Summary, (ii) such other contributions or amounts as identified in notes to the Multi-Year Financial Plan Summary, and (iii) such other contributions or amounts as may be identified in relevant Supplemental Agreements between the Parties or as may otherwise be agreed by the Parties; *provided*, in no event shall the Government's contribution of resources be less than the amount, level, type and quality of resources required to effectively carry out the Government Responsibilities or any other responsibilities or obligations of the Government under or in furtherance of this Compact.

4. **Modifications.** The Parties recognize that the anticipated distribution of MCC Funding between and among the various Program activities and Project and Project Activities will likely require adjustment from time to time during the Compact Term. In order to preserve flexibility in the administration of the Program, the Parties may, upon agreement of the Parties in writing and without amending the Compact, change the designations and allocations of funds between

¹ The role of civil society in the implementation of the Compact (including through participation on the Stakeholders' Committee and as an observer on the Supervisory Board), the responsibilities of the Government and MCC in achieving the Compact Goal and Objectives, and the process for the identification of beneficiaries are addressed elsewhere in this Compact and therefore are not repeated here.

Program administration and a Project, between one Project and another Project, between different activities within a Project, or between a Project identified as of the entry into force of this Compact and a new Project, without amending the Compact; *provided, however*, that such reallocation (i) is consistent with the Objectives, (ii) does not cause the amount of MCC Funding to exceed the aggregate amount specified in Section 2.1(a) of this Compact, and (iii) does not cause the Government's obligations or responsibilities or overall contribution of resources to be less than specified in Section 2.2(a) of this Compact, this Annex II or elsewhere in the Compact.

5. Conditions Precedent; Sequencing. MCC Funding will be disbursed in tranches. The obligation of MCC to approve MCC Disbursements and Material Re-Disbursements for the Program and each Project is subject to satisfactory progress in achieving the Objectives and on the fulfillment or waiver of any conditions precedent specified in the Disbursement Agreement for the relevant Program activity or Project or Project Activity. The sequencing of Project activities or Project Activities and other aspects of how the Parties intend the Projects to be implemented will be set forth in the Implementation Plan, including Work Plans for the applicable Project, and MCC Disbursements and Re-Disbursements will be disbursed consistent with that sequencing.

EXHIBIT A

Multi-Year Financial Plan

Component	Year 1	Year 2	Year 3	Year 4	Year 5	Total
	(USD \$ million)					
1. Regional Infrastructure Rehabilitation Project						
(a) Road Rehabilitation Project Activity*	\$1.00	\$44.49	\$27.74	\$18.90	\$10.07	\$102.20
(b) Regional Infrastructure Development Project Activity	\$8.78	\$20.20	\$20.34	\$9.17	\$1.51	\$60.00
(c) Energy Rehabilitation Project Activity	\$27.55	\$21.95				\$49.50
Sub-Total	\$ 37.3	\$ 86.6	\$ 48.1	\$ 28.1	\$ 11.6	\$ 211.7
2. Enterprise Development Project						
(a) Georgia Regional Development Fund Project Activity	\$5.53	\$6.39	\$7.50	\$6.57	\$6.51	\$32.50
(b) Agribusiness Development Project Activity	\$2.47	\$3.35	\$3.96	\$3.01	\$2.20	\$15.00
Sub-Total	\$ 8.0	\$ 9.7	\$ 11.5	\$ 9.6	\$ 8.7	\$ 47.5
3. Monitoring and Evaluation	\$1.38	\$1.43	\$2.13	\$0.91	\$2.61	\$8.45
Sub-Total	\$ 1.4	\$ 1.4	\$ 2.1	\$ 0.9	\$ 2.6	\$ 8.4
4. Program Administration and Control						
(a) Program Administration	\$2.35	\$2.44	\$2.54	\$2.64	\$2.75	\$12.72
(b) Audit	\$0.49	\$1.00	\$0.64	\$0.41	\$0.26	\$2.80
(c) Fiscal and Procurement Management	\$2.12	\$4.33	\$2.77	\$1.78	\$1.11	\$12.11
Sub-Total	\$ 5.0	\$ 7.8	\$ 6.0	\$ 4.8	\$ 4.1	\$ 27.6
TOTAL ESTIMATED MCC CONTRIBUTION	\$ 51.7	\$ 105.6	\$ 67.6	\$ 43.4	\$ 27.0	\$ 295.3

* Note that in year 1, \$4.1 million of 609(g) funds for the feasibility study, environmental impact assessment and final designs will be spent, to be followed by the procurement of construction services for the actual rehabilitation and construction of the Road.

ANNEX III

DESCRIPTION OF THE M&E PLAN

This Annex III to the Compact (the "*M&E Annex*") generally describes the components of the M&E Plan for the Program. Each capitalized term in this Annex III shall have the same meaning given such term elsewhere in this Compact.

1. Overview.

MCC and the Government (or a mutually acceptable Government Affiliate or Permitted Designee) shall formulate, agree to and the Government shall implement, or cause to be implemented, an M&E Plan that specifies (i) how progress toward the Objectives and Project Activity Outcomes will be monitored (the "*Monitoring Component*"), (ii) a methodology, process and timeline for the evaluation of planned, ongoing, or completed Project Activities to determine their efficiency, effectiveness, impact and sustainability (the "*Evaluation Component*"), and (iii) other components of the M&E Plan described below. Information regarding the Program's performance, including the M&E Plan, and any amendments or modifications thereto, as well as periodically generated reports, will be made publicly available on the MCA-Georgia Website and elsewhere.

2. Monitoring Component.

To monitor progress toward the achievement of the Objectives and Project Activity Outcomes, the Monitoring Component of the M&E Plan shall identify (i) Program levels, (ii) the Indicators, (iii) the party or parties responsible, the timeline, and the instrument for collecting data and reporting on each Indicator to MCA-Georgia, and (iv) the method by which the reported data will be validated.

(a) Program Levels. The M&E Plan in general, as well as the Monitoring Component in particular, shall describe the Program at multiple levels of aggregation and shall describe the expected Program results at each of those levels.

(i) Compact Goal. The highest level of results to be achieved by the Program, the Compact Goal, is understood to be the aggregation of the estimated benefits of the two Projects and which are indicative of the overall impact expected from all of the Project Activities. While these benefits can be estimated, it is methodologically impossible to attribute with a high degree of precision changes in income at the end of the Compact Term specifically to interventions undertaken under or in furtherance of the Compact due to the existence of other factors, unrelated to the Program, that may affect income changes. However, these estimated benefits may be used to inform future impact evaluation.

Increased Economic Growth and Poverty Reduction in Regions of Georgia			
Goal Indicators	Indicator Definition	Baseline	Year 5
Reduction in poverty gap in the Samtskhe-Javakheti Region	The mean distance separating the population from the poverty line.	23.4% (2002)	19.90%
Reduction in poverty incidence in the Samtskhe-Javakheti Region	The fraction of population under the poverty line, defined by SDS as the "subsistence minimum."	56.8% (2002)	50.00%
Incremental increase in household incomes from Compact interventions*	Financial benefits derived from roads, infrastructure investment and pipeline rehabilitation, and GRDF and ADA enterprise development activities.	0	TBD

* Setting of targets will be made at the end of Year One, once RID projects have been selected and vehicle operating costs on S-J roads have been determined.

(ii) Project. At the second highest level of the Compact, or the Project level, the M&E Plan shall describe Program activities, results and measures of results' attainment in two categories which relate to: (1) the Regional Infrastructure Rehabilitation Project and (2) the Enterprise Development Project. The Project Objectives to be achieved by the activities under each of these Projects shall be understood, as with the Compact level benefits, as being indicative of impact and not necessarily measurably attributable to the Program's interventions within the timeframe of the Compact.

(iii) Project Activity. At the third highest level of the Program, or the Project Activity level, the M&E Plan shall describe the results to be achieved within each Project Activity: (1) the Road Rehabilitation Activity; (2) the Energy Rehabilitation Activity; (3) the Regional Infrastructure Development Activity; (4) the Investment Fund Activity and (5) the Agribusiness Development Activity. The outcomes of each Project Activity ("**Project Activity Outcome**") shall be understood to be directly attributable to the Compact interventions and measurable within an intermediate period during the Compact Term.

(b) Indicators. The M&E Plan shall measure the results of the Program using quantitative, objective and reliable data ("**Indicators**"). Each Indicator will have one or more expected results that specify the expected value and the expected time by which that result will be achieved ("**Target**"). The M&E Plan will measure and report on Indicators at each of the two levels corresponding to those described above. First, the indicators for each Objective (each, an "**Objective Indicator**") will measure the final results of the Projects in order to monitor their success in meeting each of the Objectives, including results for the intended beneficiaries identified in accordance with Annex I (collectively, the "**Beneficiaries**"). Second, indicators for each Project Activity (each, a "**Project Activity Outcome Indicator**") will measure the intermediate results achieved under each of the Project Activities in order to provide an early measure of the likely impact of the Project Activities. For each Indicator for a Project Activity Outcome, and Objective, the M&E Plan shall define a strategy for obtaining and validating the value of such Indicator prior to its being affected by the Program ("**Indicator Baseline**"). All Indicators will be disaggregated by gender, income level and age, to the extent practicable.

(i) Project Objective Indicators. The M&E Plan shall contain the Objective Indicators listed in the table below, with their definitions. The corresponding Indicator Baselines

and Targets to be achieved are in the following tables. MCA-Georgia may add Objective Indicators or refine the Targets of existing Objective Indicators prior to any MCC Disbursement or Re-Disbursement for any Project or Project Activity that may influence that Indicator, or at such other times as may be agreed with MCC, in each case with prior written approval of MCC.

Project Objective Definitions	
Key Regional Infrastructure Rehabilitated	
Goal Indicators	Indicator Definition
Financial benefits stemming from Infrastructure Project investments (in 1,000 USD)	Aggregated data for reduction of vehicle operating costs on rehabilitated roads, increased collection rate of GGIC, and actual operations and maintenance funds from responsible maintaining agencies (local/central government or other agencies).
Enterprises in Regions Developed	
Goal Indicators	Indicator Definition
Aggregate jobs created by Program interventions	Portfolio company jobs will be aggregated with ADA jobs in each year.
Aggregate incremental household incomes and business revenues (in 1,000 USD)	Absolute annual increase in household incomes and revenues to companies in both GRDF and ADA.

Project Objectives							
Key Regional Infrastructure Rehabilitated							
	Unit	Baseline	Year One	Year Two	Year Three	Year Four	Year Five
Financial benefits stemming from Infrastructure Rehabilitation Project investments (in 1,000 USD)*	number	0					TBD
Enterprises in Regions Developed							
	Unit	Baseline	Year One	Year Two	Year Three	Year Four	Year Five
Aggregate jobs created by Program interventions**	number	0					23,962
Aggregate incremental household incomes and business revenues (in 1,000 USD)**	number	0					59,434

* Setting of targets will be made at the end of Year One, once RID projects have been selected and vehicle operating costs on S-J roads have been determined.

** Portfolio company jobs and income will be aggregated with ADA jobs and income, shown here, in each year when GRDF investments are made.

(ii) Project Activity Outcome Indicators. The M&E Plan shall contain the Project Activity Outcome Indicators listed in the table below with their definitions. The baseline and targets to be achieved are shown in the subsequent table. MCA-Georgia may add Project Activity Outcome Indicators or refine the Targets of existing Project Outcome Indicators prior to any MCC Disbursement or Re-Disbursement for any Project Activity that may influence that Indicator, or at such other times as may be agreed with MCC, in each case with prior written approval of MCC.

Activity Outcome Indicator Definitions for Regional Infrastructure Rehabilitation Project

Improved Transport for Regional Trade: Road Rehabilitation Activity

Reduction in journey time: Akhalkalaki-Ninotsminda-Teleti (hours)	
Reduction in vehicle operating costs	These costs comprise the economic value of the running costs of the vehicle for the duration of the journey on the section of road or road network, the depreciation and maintenance costs of the vehicle and the associated costs related to the driver/goods transported for the journey.
Increase in internal regional traffic volumes	It is expected that this internal traffic will increase when the Project roads are improved as journey times will be significantly shorter thereby making it more attractive/enticing to the local population to make journeys that they would have thought too time consuming to attempt before the roads were improved.

Increased Reliability of Energy Supply and Reduced Losses: Energy Rehabilitation Activity

Decreased technical losses	Decrease of losses occurring between receiving point on Georgia-Russian border and delivery points to the customers, including Georgia-Armenia border.
Reduction in the production of greenhouse gas emissions measured in tons of CO2 equivalent	
Increased collection rate of GGIC	Revenues from Gardabani, industries, gas distribution companies, and consumers of gas.

Improved Regional and Municipal Service Delivery: Regional Infrastructure Development Activity

Number of household beneficiaries served by RID projects (cumulative)	Number of households that benefited from improved water/sanitation, irrigation and/or gas provision.
Actual operations and maintenance expenditures (in 1,000 USD)	Allocated and actual operations and maintenance funds from responsible maintaining agencies (local/central government or other agencies) used as a proxy measure of revenues and fees from RID investments.

Sub-Activity Output Indicators

Rehabilitation of Local Physical Infrastructure Sub-Activity

Number of RID projects completed (cumulative)	Number of rehabilitation projects completed.
Value of RID projects (cumulative, mln. USD)	The cumulative total capital invested, where fund size is US\$58 million.

Activity Outcome Indicators for Regional Rehabilitation Project

Improved Transport for Regional Trade: Road Rehabilitation Activity

	Unit	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5
Reduction in journey time: Akhalkalaki-Ninotsminda-Teleti (hours)	number	6.5	0	0	1	2.5	2.8
Reduction in vehicle operating costs (cumulative)	%	0%	0%	0.5%	2%	6%	15%
Increase in internal regional traffic volumes (cumulative)	%	0%	0%	0.5%	2%	5%	8%

Activity Outcome Indicators for Regional Rehabilitation Project							
Increased Reliability of Energy Supply and Reduced Losses: Energy Rehabilitation Activity							
	Unit	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5
Decreased technical losses	%	5%	5%	4%	3%	2%	2%
Reduction in the production of greenhouse gas emissions measured in tons of CO2 equivalent	number	324,713	696,016	1,117,137	1,195,047	1,247,471	1,278,919
Increased collection rate of GGIC	%	50%	50%	95%	95%	95%	95%
Improved Regional and Municipal Service Delivery: Regional Infrastructure Development Activity							
	Unit	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5
Number of household beneficiaries served by RID projects (cumulative)	number	0	0	2,000	20,000	46,000	53,000
Actual operations and maintenance expenditures (USD)*	number	0	TBD	TBD	TBD	TBD	TBD

* Setting of targets will be made at the end of Year One, once RID projects have been selected and vehicle operating costs on S-J roads have been determined.

Sub-Activity Output Indicators for Regional Infrastructure Development Activity							
Rehabilitation of Local Physical Infrastructure Sub-Activity							
Sub-Activity Output Indicators	Unit	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5
Number of RID projects completed (cumulative)	number	0	0	2	8	13	14
Value of RID projects (cumulative, mln. USD)	number	0	8	28	48	57	58

Activity Outcome Indicator Definitions for Enterprise Development Project	
Increased Investment in and Performance of SMEs: Investment Fund Activity	
Georgia Regional Development Fund (GRDF)	
Increase in annual revenue in portfolio companies (in 1,000 USD)	Aggregate increase in revenues of companies in which GRDF invests.
Increase in number of portfolio company employees and number of local suppliers	Includes additional number of employees of, as well as additional local suppliers of inputs or services to, companies in which GRDF invests.
Increase in portfolio companies' wages and payments to local suppliers (in 1,000 USD)	

Activity Outcome Indicator Definitions for Enterprise Development Project

Improved Economic Performance in Agribusiness: Agribusiness Development Activity

Jobs created	Includes jobs created in on farms, input supply services and agribusiness enterprises.
Increase in aggregate incremental net revenue to project assisted firms (in 1,000 USD and cumulative over five years)	Aggregate annual increase in Net Revenue (NR) of project assisted agribusinesses, service providers and value added enterprises.
Direct household net income (in 1,000 USD cumulative over five years)	Includes direct beneficiaries of the access to modern technology, grants to rural entrepreneurs initiatives.
Direct household net income for market information initiative beneficiaries (in 1,000 USD cumulative over five years)	
Number of beneficiaries	Includes population directly employed in and clients of agribusinesses, input supply services and enterprises.

Activity Outcome Indicators for Enterprise Development Project

Increased Investment in and Performance of SMEs: Investment Fund Activity

Georgia Regional Development Fund (GRDF)

	Unit	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Increase in annual revenue in portfolio companies (in 1,000 USD and cumulative)	number	0					22,200	55,000
Increase in number of portfolio company employees and number of local suppliers (cumulative)	number	0					4,400	6,650
Increase in portfolio companies' wages and payments to local suppliers (cumulative)	number	0					9,450	23,900

Improved Economic Performance in Agribusiness: Agribusiness Development Activity

	Unit	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Jobs created from project interventions (cumulative)	number	0	597	1,481	2,375	3,174	3,606	NA
Increase in aggregate incremental net revenue to project assisted firms (in 1,000 USD and cumulative over five years)	number	0	45	287	951	2,277	4,448	NA
Direct household net income (in 1,000 USD cumulative over five years)	number	250	160	1,035	3,474	8,415	16,605	NA

Improved Economic Performance in Agribusiness: Agribusiness Development Activity								
	Unit	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Direct household net income for market information initiative beneficiaries (in 1,000 USD cumulative over five years)	number	250	133	713	1,941	3,929	6,731	NA
Number of beneficiaries (cumulative)	number	0	8,584	20,070	36,625	49,423	57,626	NA

(c) **Data Collection and Reporting.** The M&E Plan shall establish guidelines for data collection and a reporting framework, including a schedule of Program reporting and responsible parties. The Management Team shall conduct regular assessments of program performance to inform MCA-Georgia, Project Managers and the MCC of progress under the Program and to alert these parties to any problems. These assessments will report the actual results compared to the Targets on the Indicators referenced in the Monitoring Component, explain deviations between these actual results and Targets, and in general, serve as a management tool for implementation of the Program. With respect to any data or reports received by MCA-Georgia, MCA-Georgia shall promptly deliver such reports to MCC along with any other related documents, as specified in this Annex III or as may be requested from time to time by MCC.

(d) **Data Quality Reviews.** From time to time, as determined in the M&E Plan or as otherwise requested by MCC, the quality of the data gathered through the M&E Plan shall be reviewed to ensure that data reported are as valid, reliable, and timely as resources will allow. The objective of any data quality review will be to verify the quality and the consistency of performance data, across different implementation units and reporting institutions. Such data quality reviews also will serve to identify where those levels of quality are not possible, given the realities of data collection. The data quality reviewer shall enter into an Auditor / Reviewer Agreement with MCA-Georgia in accordance with Annex I.

3. Evaluation Component.

The Program shall be evaluated on the extent to which the interventions contribute to the Compact Goal. The Evaluation Component shall contain a methodology, process and timeline for analyzing data in order to assess planned, ongoing, or completed Project Activities to determine their efficiency, effectiveness, impact and sustainability. This component should use state-of-the-art methods for addressing selection bias and should make provisions for collecting data from both treatment and control groups, where practicable. The Evaluation Component shall contain two types of reports: Final Evaluations and Ad Hoc Evaluations, and shall be finalized before any MCC Disbursement or Re-Disbursement for specific Program activities or Project Activities.

(a) **Final Evaluation.** MCA-Georgia, with the prior written approval of MCC, may engage an independent evaluator to conduct an evaluation at the expiration or termination of the Compact Term ("**Final Evaluation**") or at MCC's election, MCC may engage such independent

evaluator. The Final Evaluation must at a minimum (i) evaluate the efficiency and effectiveness of the Program Activities; (ii) estimate, quantitatively and in a statistically valid way, the causal relationship between the Compact Goal (to the extent possible), the Objectives and Project Activity Outcomes; (iii) determine if and analyze the reasons why the Compact Goal, Objectives and Project Activity Outcomes were or were not achieved; (iv) identify positive and negative unintended results of the Program; (v) provide lessons learned that may be applied to similar projects; (vi) assess the likelihood that results will be sustained over time; and (vii) any other guidance and direction that will be provided in the M&E Plan. To the extent engaged by MCA-Georgia, such independent evaluator shall enter into an Auditor / Reviewer Agreement with MCA-Georgia in accordance with Annex I.

(b) Ad Hoc Evaluations. Either MCC or MCA-Georgia may request ad hoc or interim evaluations or special studies of Projects, Project Activities, or the Program as a whole prior to the expiration of the Compact Term. If MCA-Georgia engages an evaluator, the evaluator will be an externally contracted independent source selected by MCA-Georgia, subject to the prior written approval of MCC, following a tender in accordance with the Procurement Guidelines, and otherwise in accordance with any relevant Implementation Letter or Supplemental Agreement. The cost of an independent evaluation or special study may be paid from MCC Funding. If MCA-Georgia requires an ad hoc independent evaluation or special study at the request of the Government for any reason, including for the purpose of contesting an MCC determination with respect to a Project or Project Activity or to seek funding from other donors, no MCC Funding or MCA-Georgia resources may be applied to such evaluation or special study without MCC's prior written approval.

4. Other Components of the M&E Plan.

In addition to the Monitoring and Evaluation Components, the M&E Plan shall include the following components for the Program, Projects and Project Activities, including, where appropriate, roles and responsibilities of the relevant parties and Providers:

(a) Costs. A detailed cost estimate for all components of the M&E Plan.

(b) Assumptions and Risks. Any assumptions and risks external to the Program that underlie the accomplishment of the Objectives and Project Activity Outcomes; provided, however, such assumptions and risks shall not excuse performance of the Parties, unless otherwise expressly agreed to in writing by the Parties.

5. Implementation of the M&E Plan.

(a) Approval and Implementation. The approval and implementation of the M&E Plan, as amended from time to time, shall be in accordance with the Program Annex, this M&E Annex, the Governance Agreement, and any other relevant Supplemental Agreement.

(b) Stakeholders' Committee. The completed portions of the M&E Plan will be presented to the Stakeholders' Committee at the Stakeholders' Committee's initial meetings, and any amendments or modifications thereto or any additional components of the M&E Plan will be

presented to the Stakeholders' Committee at appropriate subsequent meetings of the Stakeholders' Committee. The Stakeholders' Committee will have opportunity to present its suggestions on the M&E Plan, which the Supervisory Board will take into consideration, as a factor, in its review of any amendments to the M&E Plan during the Compact Term. The Stakeholders' Committee shall deliver an acknowledgement following its review of the M&E Plan and any amendments thereto.

(c) MCC Disbursement and Re-Disbursement for a Project Activity. Unless the Parties otherwise agree in writing, prior to, and as a condition precedent to, the initial MCC Disbursement or Re-Disbursement with respect to certain Project Activities, the baseline data or report, as applicable and as specified in the Disbursement Agreement, with respect to such Project or Project Activity must be completed in form and substance satisfactory to MCC. As a condition to each MCC Disbursement or Re-Disbursement there shall be satisfactory progress on the M&E Plan for the relevant Project or Project Activity, and substantial compliance with the M&E Plan, including any reporting requirements.

(d) Modifications. Notwithstanding anything to the contrary in the Compact, including the requirements of this M&E Annex, MCC and the Government (or a mutually acceptable Government Affiliate or Permitted Designee) may modify or amend the M&E Plan or any component thereof, including those elements described herein, without amending the Compact; provided, any such modification or amendment of the M&E Plan has been approved by MCC in writing and is otherwise consistent with the requirements of this Compact and any relevant Supplemental Agreement between the Parties.